

Treasury was forbidden to borrow of the bank except by authority of law. The maximum limit of circulation against which only a reserve of one-third was required was reduced to 1,200,000,000 pesetas. Of the required reserve of 400,000,000 pesetas, one-half was required to be in gold. Against the next 300,000,000 pesetas in notes issued, forty per cent, was required to be in gold and the remainder up to a total metallic reserve of sixty per cent, might be in silver. Against the remaining 500,000,000 pesetas which the bank was authorized to issue, fifty per cent, was required to be in gold and the remainder, up to a total of seventy per cent., might be in silver.² Accounts in Paris, London, and Berlin could be counted as gold.

More significant of the determination of Señor Villaverde was a section of the agreement of July 17, 1902, between the Treasury and the bank, by which it was declared that the bank "would favor by a special rate of interest the use of commercial, industrial, and agricultural credit by accepting¹ for discount in equal measure paper arising from these different sources."^a One of the steps directed to this end was to make speculative loans on the public securities less attractive to the public and the bank by increasing the rate of discount. The rate was raised in 1902 to four per cent, and in September, 1903, to four and a half per cent., at which it remained fixed, even during the crisis in other countries in 1907. It was admitted, however, in the annual report of 1907, that the reforms sought by the law of 1902 were not capable of immediate realization, that it was impossible to improvise the substitution for assets consisting of securities of assets exclusively commercial, because this would require the finding of resources which the country still unfortunately lacked/

¹ *Bulletin de Statistique*, July, 1902, UL, 91.

² Mitjavile, 208.

^a *Economiste Français*, April 18, 1908, 565. Doubt is thrown by Favre upon the earnestness of the bank in seeking to restore sound conditions. He declared that, "spurred on by a minority of speculators and exporters who, at least for the time, have an interest in seeing high exchange, the Bank of Spain thinks only of profiting by